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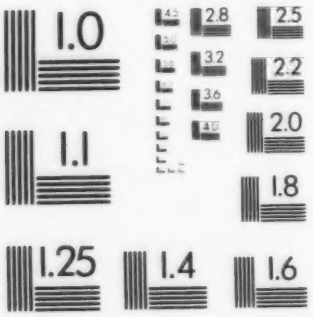

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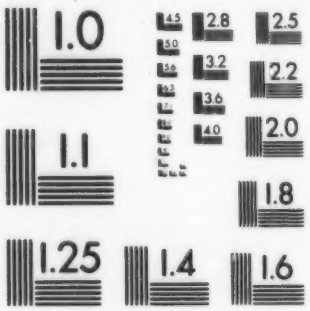

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PHASE I REPORT OF FEASIBILITY STUDY ON NEW HIRE PROGRAMS FOR CANADA:

NEW HIRE PROGRAMS IN THE UNITED STATES

Research Report

CSR-1999-4E

Child Support Team

Canada

102-03696/

Phase I Report of Feasibility Study on New Hire Programs for Canada:

New Hire Programs in the United States

Prepared by:
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Presented to:
Child Support Team
Department of Justice Canada

The views expressed in this report are solely those of the authors and do not necessarily represent the views of the Department of Justice Canada.

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I. INTRODUCTION

Officials in both Canada and the United States realize that people subject to child support orders can avoid payments by changing jobs or by moving from place to place. New hire programs help officials enforce child support orders by requiring employers to report newly hired employees.

These programs, also called "employer reporting," started in the United States in the late 1980s. By 1994, about 15 states had implemented them and by 1996, 26 had done so. In 1996, the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA) required all states to develop new hire programs and established the National Directory of New Hires.

This research describes the main policy, administrative and operational features of new hire programs in the United States, which will help child support policy-makers determine whether such programs are feasible in Canada. A secondary objective is to describe existing programs in three Commonwealth countries, as well as any plans for such programs in countries that do not yet have them.

This report is organized as follows:

- Chapter II describes the sources of this report's information.
- Chapter III provides an overview of how child support agencies and support enforcement function in the United States, especially in light of welfare reform.
- Chapter IV explains how various states developed new hire programs, particularly programs established before the federal legislation came into force.
- Chapter V describes the changes created by the PRWORA, including the requirements for state new hire directories and the National Directory of New Hires.
- Chapter VI briefly describes the experience of other Commonwealth countries in terms of employer reporting.
- Chapter VII summarizes the main findings.
- In Appendix A, we have provided a glossary of terms.
- Appendix B contains the names of persons contacted for this research.
- Appendix C contains a bibliography of materials from federal and state sources in the United States.

II. METHOD

We started by reviewing all available material on new hire programs from state and federal governments in the United States, much of which the Department of Justice Canada had already collected. We searched the Web, particularly the sites of the United States Office of Child Support Enforcement and the state child support agencies, and we did a literature search using standard bibliographic sources for public policy and social work periodicals. These steps produced a great deal of material, particularly on the 1996 federal legislation, the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA). The documentation also gave us a clearer understanding of new hire programs.

After consulting with the Project Authority, we limited the scope of the project to the 26 states that had new hire programs before the PRWORA was passed in 1996. We were most interested in how and why those states had independently implemented employer reporting, because those states were in a similar situation to the one Canadian jurisdictions now face—in other words, no federal legislation required them to start programs. However, we soon discovered that many of those states had started new hire programs in anticipation of the federal legislation, which was first introduced as a congressional bill in 1994.

We telephoned representatives of all 26 states that had new hire programs before 1996 (see Appendix B) and asked for written documentation on the programs. As a result, we got various combinations of annual reports, state legislation, monitoring data and evaluations from about 15 states. The remainder either had no or very limited documentation. A number of states could not provide any cost-related information. See Appendix C for the documentation received.

Based on this information, and in consultation with Justice officials, we picked five states for more intensive interviewing and examination:

- Alaska, whose targeted mandatory program in 1992 was partly funded as a pilot project by the United States Office of Child Support Enforcement;
- Arizona, which started a voluntary program in 1994 for all employers;
- Massachusetts, which started a mandatory program in 1993 for all employers;
- Texas, which initiated both targeted and voluntary programs in 1993; and
- Washington, where the first program began in 1988 as a pilot (it was formalized in 1990, when reporting became mandatory for targeted employers).

This selection included voluntary and mandatory programs, as well as targeted and all-industry programs.

We then used a semi-structured interview schedule to telephone one to four officials from each state, where we asked for policy and operational details not available in the documentation. Although most officials were cooperative and helpful, these interviews were not as informative as we had hoped. All respondents said, more or less, that the program was intended to produce timelier employee data. Few state respondents identified problems related to developing or operating the program.

Department of Justice Canada officials were also interested in learning about the exchange of data between the new hire database and other social programs. To this end, we interviewed officials from state public assistance and employment security agencies in Georgia, Massachusetts, Missouri, Texas and West Virginia.

We also telephoned representatives of payroll-processing organizations and other business organizations that had helped develop new hire programs at the state and federal levels. In addition, we interviewed people employed by the American Public Welfare Association and the Center for Law and Social Policy. Further, we spoke to two representatives from the United States Office of Child Support Enforcement: one was partially responsible for overseeing the development of the PRWORA and the other was involved in outreach to employers.

In addition, we interviewed the manager of the Child Support Enforcement Agency in New Zealand and the assistant to the chief executive of child support in the United Kingdom about employer reporting programs in their countries. An official from the Child Support Office of the Australian Tax Office provided us with some information on the employer withholding program in that country.

III. CHILD SUPPORT ENFORCEMENT IN THE UNITED STATES

Traditionally, family and domestic law has been under the jurisdiction of each state. State laws and state courts have been responsible for all aspects of paternity claims and marital dissolution, including custody, child support, property settlements and alimony. However, the federal government became involved because non-payment of child support was contributing to the "feminization of poverty" and to rising welfare costs for poor female-headed households with children (Mellgren, 1992:254-5).

Starting in 1975, the federal government required state child support enforcement programs to locate non-custodial parents, to establish paternity and to enforce payments of awards. At least 60 percent of all American child support cases are estimated to be in the public collection system (Legler, 1996:522). Although the states operate their programs with "substantial discretion" (*ibid.*), federal law imposes many program requirements and the federal government provides partial funding. Enforcement agencies are located in a variety of state departments, including the offices of the attorney general, revenue and social services.

Under federal legislation, states must operate a child support enforcement program to be eligible for block grants under Temporary Assistance to Needy Families (TANF) (formerly Aid to Families with Dependent Children). The IV-D agencies, named after Title IV-D of the *Social Security Act*, are required to provide child support enforcement services to families receiving TANF, Medicaid and foster care, and to non-welfare families applying for IV-D services.

Collections made in public assistance cases are treated as government revenues and are shared between state and federal governments. Collections made in non-welfare cases are paid directly to the families. Caseloads of support enforcement agencies in the United States are therefore made up of two types of clients:

- custodial parents who get public assistance, food stamps or Medicaid, or who have children in foster care, and who must seek child support and are, therefore, involuntary clients; and
- voluntary clients who apply for services such as support enforcement or paternity establishment.

For the former group, when non-custodial parents are located, the state government uses the child support payments and medical insurance coverage to offset public assistance, food stamp, foster care and Medicaid costs. Depending on the state, if applicants refuse to cooperate with child

support enforcement, the state may deny them benefits, reduce their benefits, or subject them to progressive sanctions.[1]

Before the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA), when the custodial parent was getting benefits under Aid to Families with Dependent Children (AFDC), he or she received the first $50 of any current child support payment made each month, to encourage cooperation with the enforcement program. This payment, called a "disregard" or "pass-through," was eliminated by the 1996 federal legislation, although states can continue making a "pass-through" payment using state funds. Some states have apparently chosen to do so.

Nationally, 52 percent of the 19.3 million IV-D cases[2] were on public assistance in 1996, although there were variations by state. Of these cases, three quarters involved families currently on welfare. The remaining quarter involved families who had left welfare; these "arrears-only welfare cases" were no longer on public assistance, but the arrears that accrued when they were on welfare remained assigned to the state. The state continued to pursue its interests in the assigned and unpaid support (Center for Law and Social Policy, 1998:2-3).

When a parent voluntarily seeks support enforcement, the child support agency remits any payments it receives directly to the custodial parent. Anyone can apply for the service by paying a nominal registration fee,[3] including non-custodial males who wish to establish paternity. The fee is typically $25. In 1996, three quarters of the child support collected by these agencies was collected from non-welfare cases, even though most voluntary clients are low-income families.

Wage withholding is the most common method of collecting child support in the United States. The withholding of wages from non-custodial parents in arrears of child support payments began in 1984, and the *Family Support Act of 1988* expanded withholding to all new child support orders as of 1994. This law also required that a state agency that documented and tracked payments run the withholding. Under the PRWORA, all states must adopt the *Uniform*

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[1] An ethnographic study found that half of mothers claimed that they were cooperating with support enforcement. However, an equal proportion were engaging in "covert non-compliance, meaning that they had given false or misleading information to child support officials in order to protect the identity of ... their children's fathers" (Edin, 1995:206). The author concluded that the "'make 'em pay' strategy currently employed by the government will never be enough to alleviate the poverty of most welfare-reliant children," in part because of the financial, social and psychological incentives for welfare mothers and their children's fathers to resist the current system. She recommended that child support awards be collected like social security taxes, automatically adjusting for drops and increases in earnings. Citing research that found that tough enforcement procedures have the effect of increasing poverty rates for non-custodial fathers, Edin suggested that fathers who earn less than average wages should be assessed realistic amounts. "Hooking low-income men into the system early on may also have the effect of keeping more of them in the legal economy rather than encouraging underground earnings or criminal activity" (*ibid.*:227).

[2] The Center for Law and Public Policy also concluded that the IV-D caseload figures were probably overestimated, "partly because the U.S. census data shows that there are considerably fewer single-parent families than there are IV-D cases nationwide" (Center for Law and Social Policy, 1998:7).

[3] One state informant said that the $25 registration fee for non-AFDC clients had been eliminated, but she may have only meant that the fee had been eliminated in her state.

Interstate Family Support Act (1992), which permits child support agencies to send income withholding orders directly across state lines to employers. In addition, states must have procedures in place to withhold wages from an obligated parent if he or she is in arrears, without recourse to a judicial or administrative hearing. The PRWORA replaced "wages" with "income," thereby encompassing a broader range of payment sources, such as disability and retirement benefits.

A five-year analysis of the caseloads of IV-D agencies found that, between 1991 and 1996, non-welfare cases increased more than twice as fast as welfare cases. In two thirds of the states, welfare cases declined in 1995. The Center for Law and Social Policy commented that the decline in welfare cases will affect IV-D collections in two ways.

- Welfare collections will decrease, "and may drop precipitously," under TANF because families who used to receive AFDC benefits may become ineligible under the more restrictive TANF policies, which include time limits. Because the government keeps collections from welfare IV-D cases, government revenues will be directly affected.
- The characteristics of non-welfare cases will likely begin to resemble those of welfare cases more closely, as former welfare families lose TANF eligibility and are transferred to the non-welfare caseload.[4] This factor may lead to a decrease in non-welfare collection rates.

Since federal funding arrangements are based on performance-based incentives, the Center suggested that some states might try to extend IV-D services beyond the public assistance and low-income groups that currently use the program. Also, increased enforcement capacity may increase collection rates. "Thus, some states may be able to maintain current collection levels and performance rates even as caseloads become harder to work. However, non-welfare collections will not produce direct government revenues but instead will increase administrative costs" (Center for Law and Social Policy, 1998:6).

In addition, with the recent emphasis on linking federal funding for state agencies to their performance, "states are likely to become increasingly concerned about duplicated case counts and multiple cases opened for the same children" (Center for Law and Social Policy, 1998:7), since these hurt performance.

Moreover, federal legislation now requires all states to computerize their information systems, which will eliminate duplicate cases and spur agencies to close unworkable cases. "[S]tates often open multiple cases when, for example, children in the same family have different non-custodial parents; when more than one putative father is named; when families leave welfare, but have unpaid assigned support; or, when a Medicaid recipient has assigned medical support, but requests full child support services" (*ibid.*).

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[4] The Temporary Assistance for Needy Families (TANF) program introduced five-year welfare time limits and new eligibility restrictions for public assistance.

As such, the rapid expansion of state new hire programs in the United States and the implementation of the national program are occurring in the context of declining welfare caseloads and potentially reduced funding for IV-D agencies. In addition, the state programs have largely been funded through collections made on behalf of families receiving welfare benefits.

Moreover, the national new hire strategy is only one component of a planned integrated approach to support enforcement—a "vision" (Legler, 1996) that includes many other mechanisms to encourage non-custodial parents to pay child support.

There are also new mechanisms to track data and find those who owe child support. For example, the state and federal governments were required to establish registries of all child support orders by October 1998.

The PRWORA includes other such mechanisms. It gives child support agencies access to a large number of information sources, from financial institutions[5] to cable television companies, as well as to such public records as occupational and drivers' licences, state and local tax records, vital statistics, corrections records, business ownership records and property records. No judicial or administrative tribunal order is required.

The PRWORA also requires each state to centralize its computerized case information and payment records. States must also, for example, have specific "expedited procedures" for handling routine cases (meaning those not involving caseworkers), which can include processes such as ordering income withholding, intercepting lump-sum payments, attaching assets in banks, imposing liens and increasing the monthly payment to make up arrears. The PRWORA also requires that payers in arrears be reported to credit bureaus.

The legislation is meant to automatically trigger such procedures when a payment is delayed. The state may also notify the payer before taking enforcement action. Many states are speeding up their child support systems by changing their administrative procedures, some of which can now establish and enforce child support orders without judicial involvement.[6]

Therefore, new hire programs are just one of many federal mechanisms that increase the amount collected by child support agencies (see also Chapter V).

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[5] Each calendar quarter, financial institutions must give the child support agency the name, address, social security number and other identifying information of all delinquent non-custodial parents whom the child support agency identifies as having an account.

[6] The states can be reimbursed for two thirds of the cost of running the child support agency, but federal reimbursement for judicial processes is limited. For example, it is not available to pay judges or other court personnel. There are, therefore, financial incentives for states to move towards a fuller administrative process.

IV. STATE DEVELOPMENT OF NEW HIRE PROGRAMS

When Congress passed the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA), about half of the states had new hire programs. About half of these registries were located in the state's child support agency, and the other half were housed in the state employment security, tax or administration agencies.

Early Steps

Before employers reported new hires, child support agencies relied on quarterly wage reports from state labour departments to find non-custodial parents. Employers file this wage report with the state every three months, along with their remission of state unemployment insurance taxes. The report contains each employee's Social Security Number (SSN), full name and total wages for the quarter.

As a tool for finding people in arrears, quarterly wage reports have fundamental weaknesses. The reports do not contain the employee's address; it can take four to six months before the information about a new hire reaches child support agencies; and the reports are not good at tracking mobile workers. As a Connecticut official told the House Ways and Means Committee in May 1988, "By the time the data [were] received and the child support worker sent out the appropriate forms to place an income withholding order, the non-custodial parent had often already terminated employment."

In Washington state, a 1986 Governor's Executive Task Force proposed an employer reporting program to respond to the needs of the child support agency. The Task Force met with business community and state government representatives, and the employer reporting program began in 1988, first as a pilot project and subsequently as an established program. The program was designed to speed up the transfer of employment information to the support enforcement agency, allowing child support orders to be both established and enforced more quickly. "The emphasis of the program has been on the rapid transfer of information from employers to the Support Enforcement Office (SEO), so they can send legal notices or take collection actions before the non-residential parent has a chance to move to another job" (Welch, July 1992:2).

The 1992 evaluation report of the Washington program confirmed that people who work in construction or who manufacture transportation equipment are highly mobile, both from job to job in one industry and between industries.[7] As one respondent noted, "certain industries employ individuals on a seasonal or cyclical basis, hire and lay off as needed for projects, or have rapid turnover."

Other states adopted similar employer reporting programs. For example, in Arizona, the voluntary new hire program provided "an additional locate tool" that allowed child support staff to find non-custodial parents more quickly. Texas had "previously obtained the information

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[7] Unfortunately, the 1992 evaluation report's discussion of occupational mobility is both complex and confusing. It is difficult to draw any general conclusions from the analysis, other than that the targeted industries have high turnover rates.

quarterly from another state department but this method would allow for faster matching with open child support cases." In Alaska, the program evolved from an in-house examination of child support payers working in different industries:

> We [child support staff] did a computer run on our caseload to find out who our top 100 employers with obligors were. We wanted to track new employees in seasonal fields. We discovered that Alaska's work is seasonal, with the exception of some businesses and state employees. We found it difficult to track new employees because they were so mobile, so we set up the new hire program to catch obligors faster.

In Alaska, as in most other states, the program was primarily designed to get wage withholding orders against child support payers who deliberately evade the system by changing jobs frequently (Alaska Child Support Enforcement, Department of Revenue, 1992:1).

Differences among State Programs

By 1994, some two years before the PRWORA, there were 15 new hire programs in the United States.[8] The first new hire programs either encompassed all employers in the state or targeted specific categories of businesses (for example, in terms of size or type of industry). In some cases, businesses were encouraged to participate, but the state legislation did not demand compliance.

In many states, the distinctions between comprehensive and targeted programs were not clear cut. In Washington state, for example, child support enforcement "aggressively pursued increased reporting from employers who are not required to report." In 1994, about 3 of 10 "matches" between new hire data and child support caseloads came from industries that were voluntarily reporting (Washington DSHS, 1995:2).

In Florida, where the program was limited to businesses with more than 250 employees, program staff found that some employers with smaller numbers of employees reported, either because they had to report in other states, because they thought reporting would become a federal requirement or because they wanted to help reduce government welfare costs.

An Arizona report found if an employer had any employees in a state where reporting was mandatory, it would often send a list of new hires to every state's child support agency. Other companies who reported voluntarily wanted to reduce both taxes and unemployment insurance fraud.

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[8] By the third quarter of 1995, 23 states had new hire programs, with New York and Ohio requiring programs by January 1, 1996. According to a Florida report, 8 of these 23 states had voluntary programs and 15 had mandatory programs. Of the mandatory programs, 8 required participation by all employers, 4 were restricted to all employers within targeted industries, 2 excluded employers with less than a specified number of employees, and 1 state targeted only employers with a high employee turnover rate. By the time the President signed the PRWORA in August 1996, 26 states had some form of employer reporting.

An Iowa respondent said that since federal legislation was coming, she wanted to start a voluntary reporting program, on a smaller scale, to get the systems in place before the program became mandatory. She also said that it was not difficult for multi-state employers to report to her state if already obligated to do so elsewhere. Texas also started its voluntary program in anticipation of the PRWORA.

Of the first 15 employer reporting programs, those in Arizona, Texas and Oklahoma were voluntary, while the remainder were mandatory (see Table 1). Six programs were targeted towards specific industries, such as construction, building contracting, mining and manufacturing. The days to report ranged from 7 to 35, with about half of the programs requiring that employers report more or less monthly.

Table 1: The Main Features of the First 15 New Hire Programs in the United States

	Implementation date	Days to report	All or targeted employers?	Mandatory or voluntary?	Information shared with other agencies?
Washington	7/90	35	Targeted	Mandatory	No
Alaska	1/92	30	Targeted	Mandatory	No
West Virginia	1/93	35	All	Mandatory	Yes
Massachusetts	3/93	14	All	Mandatory	Yes: unemployment insurance, workers' compensation, welfare
California	5/93	30	Targeted	Mandatory	Not known
Georgia	7/93	10	All	Mandatory	Yes
Maine	7/93	7	Targeted	Mandatory	Not known
Virginia	7/93	35	All	Mandatory	Not known
Missouri	9/93	30	All	Mandatory	Yes
Texas	9/93	35	Targeted	Voluntary	Yes: unemployment insurance, workers' compensation, welfare
Oregon	11/93	14	Targeted	Mandatory	Not known
Iowa	1/94	15	All	Mandatory	Not known
Arizona	7/94	15	All	Voluntary	Yes: welfare
Connecticut	7/94	15	All	Mandatory	Not known
Oklahoma	9/94	20	All	Voluntary	Not known

Notes: In most documentation, Hawaii is listed as having an employer reporting program for child support purposes. However, when contacted, a state representative said that, although there is employer reporting, it has never been used for child support enforcement. There was also a voluntary new hire program in Tennessee, which was used to monitor unemployment insurance payments, and the Department of Human Services used the information for child support and other programs.

Between 1986 and 1995, Minnesota had a program that required employers to ask all new employees about any child support obligations. A Minnesota publication noted that new hire reporting is less intrusive for employers and employees than was the original law. A newspaper report noted that many businesses were unaware of the original law or did not make reporting the disclosure a priority. In addition, employers were apparently required to get the child support

order from the caseworker and then to notify the county where the order was made. Not surprisingly, employers viewed this process as cumbersome.

In addition to their targeted or voluntary nature, the 15 original programs differed in other ways. For instance, employers in some states sent new hire data directly to the enforcement agency, especially in states with computerized child support records. In other states, employers sent the data to another state government department, such as the state employment security agency (SESA). As the Washington evaluation noted, "many states do not have centralized computer systems, and it is difficult to imagine a successful Employer Reporting Program without one" (Welch, 1992:2).

Programs also differed in the number of data elements required; some just asked for basic W-4 data elements, while other programs wanted more information, usually the employee's date of birth, which made it easier to double-check SSNs. Some states also asked for medical coverage information and the date of the hire.

Also, in most states employers could send the data by facsimile, mail, or diskette, with the large numbers of options intended to increase the likelihood of cooperation. This feature did vary much from program to program.

Finally, in several states, although the initial program was "mandatory," there were no penalties for employer non-compliance. Even in the states that had penalties, these were rarely, if ever, imposed. This is discussed later under employer compliance.

The First 15 New Hire Programs in the United States: Program Types

- Voluntary: all employers (2 states)
- Voluntary: targeted employers (1 state)
- Mandatory: all employers (7 states)
- Mandatory: targeted employers (5 states)

Targeted New Hire Programs

Some states chose to target their program towards specific types of businesses. This section describes the rationale they used to select these industries.

Washington state, for example, picked industries with mobile staff, such as building construction, other construction, manufacturing of transportation equipment, business services and health services. An evaluation done after the first 18 months of the Washington program showed that building and other construction companies recorded more payers than average after employer reporting began. It also found that non-residential parents frequently moved from job to job, both within and among targeted industries (Welch, 1992). A respondent suggested that both occupational mobility and political factors might have been involved in the selection. In 1994, Washington expanded its program to include an additional industry category, focusing on the "industries that return the largest benefits" to child support enforcement. The state identified these by analyzing: the industries that had the highest numbers of non-residential parents on the caseload of the child support agency; collection data from industries voluntarily

reporting: and industries that had higher rates of hire and rehire movement (Washington DSHS, 1993:2).

The program developed in Oregon followed the Washington model. It started as a two-year pilot and required eight industries to report new hires within 14 days.[9] It was mandatory for about a third of Oregon employers. A review of the program's first year found that, in the targeted industries, the new hire database and the child support caseload matched quite often, from 8 percent of time for business services to 20 percent for employees hired by general business contractors. Industries voluntarily reporting had the lowest match rate, at 7 percent.

In Alaska, a special computer run determined the top 100 employers with child support payers on staff. The employer base was gradually increased so that, by April 1998, 180 employers were required to report and more than 700 reported voluntarily.

Employer participation in Texas was voluntary, but the state targeted seven industrial categories with high turnover rates, which made up 0.15 percent of employers in the state:[10] petroleum and gas, contracting, construction, business services, and nursing and personal care facilities.

California targeted 17 industrial classifications, and excluded employers with fewer than five employees, although there is no documentation explaining why either it or Maine made the choices it did.

Obtaining Employer Cooperation

1. Methods of Obtaining Cooperation

States usually reached employers by mail, but they also used advertisements in business publications and in newspapers. Some states, such as Missouri and Texas, did little more than mail brochures to educate employers. These states had minimal feedback from employers, but other states worked more closely with employers.

In Minnesota, employers could discuss employee reporting at monthly seminars. New hire staff attended seminars held by the Minnesota Association of Accountants, state and local chambers of commerce, employer organizations and payroll processing firms to disseminate information about employer responsibilities. In Arizona, employer liaison staff collaborated with the Department of Revenue in regular meetings on tax issues. In those meetings, staff described the purpose and functioning of the program and received feedback from the employer community. The meetings reached many businesses and were considered to be one of the most useful approaches to employer outreach.

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[9] The targeted industries in Oregon were general building contractors, special trade contractors, lumber and wood products, trucking and warehousing, wholesale durable goods, auto dealers and service stations, business services, and auto repair services and garages.

[10] Presumably, these were businesses with large numbers of employees, although the precise number is not reported. There is a suggestion in the literature that the Texas voluntary program was not successful, and that staff did little proactive employer outreach.

In Florida, the legislature created the Advisory Council on Accelerated Employment Reporting, made up of members of the business community[11] and state and local governments. The Advisory Council was responsible for making recommendations on the methodology and format of employer reports.[12] The Council helped with definitions, rules, data reporting elements, public awareness activities and system start-up. The Council decided that employers would be required to report only the minimum data needed to match databases. This approach may have contributed to the success of the Florida program, as 60 percent of large employers complied after just one mailing.

The states of Washington, Alaska and Massachusetts also had employer involvement early in the planning process, enabling employers and employer organizations to voice their concerns and to negotiate with program staff over many details. A representative of the Massachusetts new hire program said that this communication was central to the smooth development of the program. Reporting time turned out to be an issue in Massachusetts, while Alaskan program staff were asked to offer disk and tape reporting as well as paper reporting.

In order to make reporting more "palatable" to employers, many state new hire programs emphasize that the data are shared with other state benefits programs to help detect overpayment and fraud. In a Texas program brochure, four benefits of new hire reporting are outlined for employers:

- new hire reporting improves each step of the child support enforcement process;
- new hire reporting establishes more paternities and more new child support orders;
- new hire reporting reduces government spending on welfare; and
- new hire reporting helps prevent unemployment insurance benefit overpayments.

The last two points often spark the most interest from employers. New hire program staff, in their marketing to employers, suggest that the benefits of child support will eventually reduce state taxes.

The 1994 annual report of the Arizona program, which was voluntary, suggested that the reporting time frame might affect employer compliance. In Arizona, employers were asked to report every 15 days, but the report recommended a longer time lag so that payroll-processing organizations would be able to participate "without the threat of penalty" as "many of these organizations require longer than 15 days (but less than 35 days) to process the new hire information."

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[11] Examples include the Associated Industries of Florida, the Home Builders Association, the Hotel and Motel Association, the Retail Federation and the National Federation of Independent Business.

[12] The Florida program targeted employers with more than 250 employees, was voluntary and was initially designed to increase child support collections and to reduce unemployment insurance fraud.

2. Views of Employers towards Employer Reporting

In fiscal year 1992, the Legislative Budget Committee (LBC) of Washington state found that 73 percent of targeted businesses surveyed favoured or strongly favoured the program's continuation, while 27 percent opposed or strongly opposed this. Of the 3,800 employers who called the state's new hire program before 1994, fewer than 20 objected to the program and most felt that the state should require all employers to report.

Ohio found that most complaints came from small businesses, which objected to "the additional work and costs involved in reporting." The majority of concerned Ohio employers felt that "the state employment security agency is receiving the same information." Similarly, small employers in Arizona were concerned that the information duplicated what was already collected.

According to program staff in Ohio: "Once you explain[ed] the difference in the length of time the SESA [state employment security agency] ha[d] to enter information and why the time factor [was] crucial, it allayed most employers' concerns. After the first few months of operations, we rarely had any complaints other than a small number of employers who had philosophical problems with the program."

Staff of other state programs echoed these sentiments. In most cases, only a few employers remained openly critical of the program after their reporting duties were put into the context of locating defaulting child support payers and, especially, of reducing state taxes. Alaska employers, according to one program contact, "see it as a burden but realize the importance of collecting child support."

Despite this generally positive picture, business representatives were concerned about overly complex and burdensome requirements. For example, some states asked for medical insurance information for new hires. This request concerned employers because that information could cross over company departments, since payroll departments usually handle new hire reporting and human resources departments deal with medical insurance. This makes it harder to meet reporting deadlines.

Georgia initially allowed employers only five days from the date of hire to submit a report. Employers with a large turnover, such as temporary help agencies, found reporting especially onerous under those conditions. As one employer-oriented publication noted, "It is clear that some states drafted their laws without soliciting the input of employers, which may well explain why there is little employer support for their programs" (ProPub Inc., 1993:2). Multi-state employers were especially concerned about the state differences in new hire programs.

Another issue was the definition of a "rehire"; employers believed that some states had a restrictive definition not typically used by employers. A rehire by state definition might include an employee who was laid off and called back to work; who took an unpaid leave of absence or vacation; or who was a seasonal employee. In West Virginia, for example, state law required any employee with a lapse in pay of one week or more to be reported as a new hire. Some state legislation was so vague that employers needed specific guidelines on rehires.

Another employer-related issue was the question of employees who lived in a state other than the one in which they worked. It was unclear whether the employer was required to meet the reporting requirements in these cases.

A business publication (ProPub Inc., 1993:4) made the following recommendations under the heading "federal requirements may be welcome relief."

- The regulations should mandate uniform new hire reporting requirements for all states. A better alternative is to report all new hires to one national data bank.
- The regulations should require employers to report no more frequently than monthly—the employer should have the option of selecting the date each month.
- Reporting exclusions should be granted to small businesses, such as employers with fewer than 20 employees.
- Employees who work sporadically or earn less than a certain dollar amount (such as $300 per month) should be excluded from the reporting requirements.
- Rehires should be specifically and reasonably defined (e.g. any employee with a lapse in pay of one month or more).
- Employers should have the flexibility of reporting in a variety of formats.
- Penalties should not be excessive, particularly in the first year of implementation (e.g. penalties only after warnings, $50 for non-wilful violation).

3. Costs to Employers

The Washington state survey also asked targeted industries about the costs of reporting new hires and rehires, which could include staff time, paper, photocopying, postage and, for those sending information electronically, computer programming, tapes, diskettes and time on mainframes. Ninety-three percent of respondents to the survey reported no or minor additional costs.

The mean start-up cost for employers varied from nothing to $4,000 (two firms that reported start-up costs of $20,000 and $25,000 were dropped from the analysis but no reasons for doing so were provided). The overall average start-up cost per firm was $97. The mean monthly operating cost was $27. The costs incurred varied considerably by the size of the business. For example, the mean monthly costs of reporting were twice as large for firms with 250 or more employees than for companies with 50 or fewer employees. However, when the mean and median cost per new employee is calculated, it is clear that it is more of a financial burden for smaller employers: a median of $12 compared to $1 for employers with 250 or more employees. (All figures are in American dollars.)

Table 2: Costs to Employers by Firm Size, Washington 1992 Survey (in U.S. Dollars)

Size of firm (number of employees)	Mean start-up costs	Mean monthly costs	Median monthly costs	Mean hires/year	Mean per unit cost	Median per unit cost	Number of firms
0-50	$36.66	$13.66	$5.00	11	$57.10	$12.00	82
51-249	$90.41	$33.75	$20.00	82	$13.17	$3.63	88
250+	$133.12	$27.44	$20.00	262	$3.49	$1.00	44
Mean, median or total	**$97.32**	**$26.67**	**$10.00**	**90**	**$27.71**	**$3.14**	**214**

Source: Washington DSHS, 1993.

A survey of a sample of Florida businesses found that the total time that businesses with more than 250 employees spent reporting in 1995 was less than 30 minutes per reporting period (Florida Advisory Council, 1995:3).

We were told that, recently, some large payroll processing firms have been charging businesses $2 per new hire.

4. Employer Compliance

Relatively little information is available on the extent to which employers complied with requests to transmit new hire and rehire data, probably because monitoring and enforcing compliance has not been a priority in new hire programs.

The voluntary reporting programs in Arizona and Texas did not consider enforcing compliance, since employers could decide whether they would participate. In 1996, only one percent of Arizona employers reported new employees and approximately two percent did so in 1997. The 1996 annual report noted that employer compliance with the 15-day deadline varied, but many employers reported every two weeks. Other employers chose to report based on their pay cycle. Since reporting was voluntary, employers reported on a timeline convenient to them. The program tracked some of the larger employers and found that reports were usually submitted within 7 to 30 calendar days of the hire. Some larger Arizona employers did not report because the program could not accept electronic transmissions. A respondent from Arizona noted that small employers were more resistant than large companies because they lacked routine reporting systems.

The mandatory Massachusetts new hire program did not consistently investigate compliance, but staff cross-matched new hire data with quarterly labour data to find new employees of whom they were not aware. Instead of fining companies suspected of not reporting, staff sent them reminder letters.

Similarly, the program coordinator in Washington state said that "those who did not comply generally had good reasons," such as staff changes. She found that a "can we help" type of letter was a better public relations strategy than a formal warning letter.

In Florida, 61 percent of the targeted, large employers complied with the program after one mailing of an information package. Non-complying businesses often had fewer than 250 employees, were unaware of the program or did not realize that being a subsidiary of a parent company with more than 250 employees meant they had to report. Florida expected a second mailing to increase compliance (Florida Advisory Council, 1995:3).

In Alaska, non-compliance was generally due to misunderstanding rather than outright refusal to participate. Sometimes, as staff turned over, the former employee did not hand on the reporting function. However, the state took a stricter hand with a few employers who initially refused to participate. Although no formal legal action was taken, the Alaska Attorney General sent a letter to resisting employers threatening to fine them the $1,000 penalty found in the state legislation.

Other states with penalties for non-compliance did not view legal action as cost effective, given the small fines involved. For example, in Washington, the penalty was $25 per month. New hire staff in Washington were even more hesitant to take action because, under state legislation, businesses that failed to report a new hire could be held liable for the debts of their employees.

In Ohio, the penalty was $25 for each report intentionally not submitted. Nobody was actually fined, although a match of the new hire database to the quarterly wage reports found that "a large number of employees were not reported." Instead, Ohio sent "a letter to each identified employer reiterating program reporting requirements, offering assistance and advising that sanctions will be imposed for continued non-compliance" (Ohio DHS, no date).

Despite the importance of employer compliance, there is little documentation on compliance rates other than the estimates for the voluntary programs. States were probably reluctant to impose penalties because of the small fine amounts and the desire to maintain the cooperation of the business community.

5. Suggestions for Obtaining Employer Cooperation

Based on input from staff of new hire programs and from representatives of American business associations, these are some of the most effective ways to approach new hire reporting.

- *Include the input of local employers as much as possible.* The best way to gain employers' support is to involve them in developing the program. Early involvement of employer representatives will educate program staff about such issues as seasonal workers and employee turnover. These representatives can also negotiate such details as reporting times and methods of reporting, which can affect employer compliance. They should also participate in focus groups and review drafts of new hire brochures.
- *Be clear to employers about how the data will be used.* Employers are less resistant to reporting when they see the social benefit of effectively collecting child support. They are generally pleased to hear that state departments will use the data to detect fraud and overpayment in other social programs, and this can be part of a "marketing strategy to gain employer acceptance," according to one Massachusetts official. One of the main "selling points" for business representatives is the benefit to them of

reduced state expenditures on social assistance, unemployment insurance and other programs.

- *Include a variety of reporting methods.* Businesses have varying levels of technological sophistication, so reporting should be as easy as possible. According to new hire program staff, large companies generally prefer to send their new hire information by magnetic tape or, if possible, by uploading their data over the Internet. Smaller businesses prefer to have a variety of options, including electronic mail, fax and regular mail.
- *Police employer compliance carefully.* Sending employers friendly reminder letters generally improves employer compliance. It is also easier to identify non-compliance when states require employers to notify them regardless of hiring activity, since it is otherwise hard to distinguish non-compliance from non-activity.
- *Ask for simple data elements.* According to business representatives, programs should only ask for easily obtainable information, such as the information provided on W-4 forms. Before the PRWORA, the lack of standardization of data elements and reporting mechanisms among states made reporting difficult for multi-state employers. Companies were not able to standardize their procedures because the necessary information would vary by state.
- *Set up an employer hotline (a toll-free number) so employers can get answers to their questions quickly.*
- *Have wage garnishments sent to a central location.* Before the PRWORA, some states required wage withholding to be sent to a central location, while other states dispersed the mailing locations. For example, in Texas, 200 county courts and employers frequently complained that they were not certain which court was the most appropriate.

New Hire Procedures

1. Reporting Format and Methods of Transmission

Generally, employers reported by using the federal Employee's Withholding Allowance Certificate (W-4 form), since by federal law all employees have to complete this form when they start new jobs. Employers use the W-4 form to determine employee income tax withholding allowances. They put it in the employee's personnel file and disclose it to federal or state governments under certain circumstances.[13] The data elements on W-4 forms are the employee's name, address and SSN, and the company's name, address and federal ID number. Some states use forms that ask for more information, such as the date of the hire, the employee's date of birth and medical coverage information.

As explained above, employers wanted many options for sending data. In all states, employers could mail or fax (toll free) a copy of the W-4 form, or the state equivalent. Although more

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[13] An employer must file a W-4 form with the Internal Revenue Service (IRS) when claiming two or more withholding allowances, or when an employee claims exemption from income tax withholding and his or her wages are more than $200 per week.

employers are now using electronic transmission, the majority of employers in the early to mid-1990s preferred to use paper methods. In Washington, for example, less than 10 percent of reports were transmitted electronically in 1994. On the other hand, four years later, only 24 percent of reports submitted in South Carolina were sent on paper; the rest came on diskette, cartridge or reel. This may be because most of the South Carolina employers reporting voluntarily are also large, technologically savvy businesses.

Recently, many employers have preferred the Internet, particularly small businesses. But states have to protect the privacy of information sent this way. In Massachusetts, each employer uses a password to gain access to the reporting portion of the Web site. Massachusetts' promotional material states that this takes less than one minute per report, after which employers get a message confirming receipt of the report.

Not all new hire programs have sophisticated systems that permit online reporting. For example, until recently, the Oregon new hire program had to print out electronic reports and enter them manually. Smaller programs, like Oregon's, have had the greatest difficulty in meeting the federal PWRORA requirements.

A few states used toll-free employer reporting lines. A Washington state contact warned that telephone reporting "took two full-time staff members to translate the information and very often the information given was incomplete and staff would not know how to contact [employers] to get the rest of the data required." Other states used a 1-800 line for which a trained staff member took the calls, which worked better.

2. Matching Child Support Cases with Employer Reporting Data

Most of the original new hire programs required employers to report new hires within 15 days to one month of hire or rehire. The state's division of child support, another state department or a private contractor could then match the employee's name and SSN against open child support cases. Many SSNs were inaccurate, either because of errors in completing the form or in data entry, so some states verified these data with a special computer program.

Any matches were passed on to child support enforcement agencies. In some states, the staff member would send an employment verification letter to the employer and, if employment was confirmed, take action toward an income deduction order. In Arizona, for example, the new hire appeared on the system within two days of the receipt of the information. In cases where a court order was already in place, the caseworker called the employer, verified that the non-custodial parent was still employed and started the wage assignment process within 10 days. In Washington and Massachusetts, a fully automatic system identified non-custodial parents who were in arrears and automatically sent letters to employers before staff intervention and assessment.

In California, the new hire data were *mailed* to child support offices rather than transmitted electronically or via fax. Understandably, there was a delay of about a month before the data came to the attention of caseworkers. The California database had duplicate listings, since its records went back six months and were matched every month with child support caseloads. Until the problem was fixed, it increased workload and reduced confidence in the reporting.

3. Wage (Income) Withholding

Wage withholding accounts for between half and two thirds of all enforcement collections and, furthermore, produces the highest compliance rates and collections (Bartfield and Meyer, 1994). Under the PRWORA, states must have procedures for withholding the wages of someone in arrears of a support obligation, and these procedures must not require a judicial or administrative hearing (Legler, 1996:542).

If an employee has to pay child support, employers are asked to set aside wages from an employee's income.[14] As mentioned above, some states have a fully automated procedure for issuing wage withholding, while others continue to use manual procedures. In Massachusetts, automation decreased child support enforcement costs from $9,174,000 to $777,000, or an average decrease per case of $286, from $306 to $20 (Department of Revenue, 1995). However, as with any such automated process, a review process should allow speedy correction when a wage withholding is issued erroneously.[15]

One state respondent spotted one problem: employers with multiple business locations or different payroll departments will report only one business address, which may not be the address to which the state should send the employee's income withholding order. As such, enforcement staff cannot automatically issue a wage withholding order until they can be sure that it will reach the appropriate payroll section.

Confidentiality

Most state legislation specified a period, often 3 to 12 months, after which unmatched records were to be destroyed. However, Texas legislation specified that the state "shall not create a record regarding the employee and the information...shall be promptly destroyed." The state could only retain the data if a support obligation was to be established or enforced. The new hire program has been criticized on the grounds of privacy invasion, and record destruction was originally the main mechanism for forestalling such criticism. The PRWORA, however, has no records destruction provision.

Measuring Program Success

One of the objectives of this research was to determine whether the different new hire models had different success rates. Meaningful across-state comparisons are difficult, as the amount and type of available information varies from state to state, so much so that we cannot be sure whether we are comparing apples and apples, or apples and oranges.

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[14] To compensate employers for the expense of withholding employee wages, most states have given employers statutory authority to take a small processing fee from the employee's wages. This fee is optional, and varies from state to state. For example, Massachusetts allows one dollar per withholding, while in Alaska employers may deduct up to five dollars per cheque.

[15] An administrative review can be requested in the event of error. Liability for errors is not discussed in the material available.

States typically quantified the success of new hire programs by looking at:

- match rates and the number of child-support cases as a percentage of the number of employees reported under the program; and
- the increase in child support collections attributable to the program.

The data in Table 3 illustrate match rates, but the lack of clarity in the documentation means, for example, that we don't know if the "enforcement" category was limited to cases where the payer was in arrears or whether it contained all matches where an order existed. Most documents did not define a match, although the match rate was usually based on the matches with open cases. For example, in Massachusetts, the match rate included those persons who were already paying child support; officials interviewed said this group was important because the state might need to increase the amount of the payments.

Table 3: Match Rates between Child Support Cases and Employer Reporting Data (in Percentages)

	Average match rate (all cases)	Most recent match rate (all cases)	Paternity establishment matches	Support establishment matches	Enforcement matches
Targeted and mandatory programs:					
Alaska	3.9	4.0[a]	0.2[d]	n/a	4.1[d]
Oregon	8.7	7.7[b]	(0.9)[e]	(2.8)[e]	(5.9)[e]
Washington	8.8	10.1[c]	n/a	n/a	n/a
Targeted and voluntary program:					
Texas	3.7	3.1[b]	n/a	n/a	n/a
All employers and voluntary program:					
Arizona	8.0	6.1[a]	1.7[a]	1.3[a]	3.1[a]
All employers and mandatory programs:					
Connecticut*	n/a	0.5[b]	-	-	0.5[b]
Iowa	n/a	11.0[b]	n/a	n/a	n/a
Kentucky	n/a	9.6[a]	n/a	n/a	5.1[a]
Florida**	5.5	6.2[c]	n/a	n/a	2.6[c]
Maryland***	n/a	4.0[a]	0.8[a]	0.6[a]	2.9[a]
Massachusetts	3.7	3.5[a]	n/a	n/a	n/a
Missouri	n/a	10.6[b]	n/a	n/a	n/a
New York	n/a	7.0[c]	n/a	n/a	3.9[c]
Virginia	n/a	7.3[be]	n/a	n/a	n/a

Notes: [a] = 1997; [b] = 1995; [c] = 1996; [d] = 1992; [e] = 1994;
n/a = not available; ( ) = estimate.

* Connecticut matched new hire data with delinquent obligors only.

** Florida's program was mandatory for employers with a workforce of more than 250.

*** Maryland's program was originally voluntary; no data are available for match rates during that time. The rates reported above are from the first six months of the mandatory program from July to December 1997.

The rates in Table 3 show that there was little relationship between the type of program and the degree of success in matching the names of non-custodial parents to the data received from employer reporting. One might expect that the targeted programs would have higher rates, but this does not appear to have been the case. The most recent match rates for targeted programs ranged from 4 to 10 percent. The Texas voluntary program had a match rate of about 3 percent, and the Arizona program had a rate of about 6 percent. The mandatory programs reported rates from 3.5 to 11 percent. In Connecticut, where it was clear that matching occurred only for delinquent payers, the match rate was only 0.5 percent. The other programs reported match rates for enforcement cases from 2.6 to 5.9 percent of all new hire reports.

The lack of uniformity in match rates within the program types could be due to many non-program factors, such as variations by state in the following:

- the percentage of child support cases on public assistance, as these cases are harder to enforce;
- the percentage of child support cases where the non-custodial parent is being sought or is in arrears on payments;
- the residential and employment mobility of child support payers; and
- the state of the economy and whether a large number of employers offer seasonal work.

It is possible that states were defining matches differently. In addition, the Center for Law and Social Policy said that the caseload figures of child support agencies might be suspect: "there are justifiable concerns about the accuracy of IV-D caseload data" (Center for Law and Social Policy, 1998:7). States varied in their case definitions and procedures for opening and closing cases, and even within states, practices varied. If the definition of a case varied by state, then so would the match rates.

Several state tracking studies also showed that caution should be exercised in using the match rate as an indicator of program success.

The California parent locator service surveyed county child support agencies in 1993 and 1994 to see whether new hire listings from a newly established registry were effective for child support enforcement. All California employers submitted the names of new hires within 30 days of employment. County child support agencies explained what they did with 299 matches between child support caseloads and new hire listings.

For unknown reasons, the counties reported that only 227 of the sample listings reached case files for processing, taking an average of 33 days to do so once they had been mailed. Of the listings, 66 percent provided information unknown to the county, such as an address, while 29 percent of the listings provided new no information and 5 percent of the listings involved the wrong person, usually because of inaccurate matching on SSNs.

The analysis found that collections were made in 8 percent of the "workable" listings. Of the 150 listings that provided new information, 80 percent led to a successful employer contact. Of these 120 listings, only 43 (36 percent) involved someone still working for the employer. The

state tried to enforce 34 of the 43 cases. Of the 34 cases, 28 resulted in an order for wage assignment or licence hold. The average dollar amount of the wage assignments was $440 per month. At least one collection was made in 18 of the 28 wage assignments (64 percent), and at the time of the survey 11 of the 18 non-custodial parents were still paying child support. Enforcement efforts were made, on average, 65 days after the mailing of the listings.

The Florida program underwent a somewhat similar exercise, using new hire matches for the first six months of 1995 (Florida Advisory Council, 1995). The initial match rate was 5.8 percent. Of the 28,693 matches, 58 percent were "obligated cases" for which a child support obligation had already been established, and 42 percent were "unobligated cases," apparently related to paternity establishment (only a few dozen of the latter resulted in an obligation being established).

Of the obligated cases, 91 percent required the location information. Of this group, 38 percent were "non-productive" (meaning that the employment had been terminated), 20 percent were pending and 42 percent were "productive." Of the productive cases, in 89 percent, wage withholding was implemented. A third of obligated cases resulted in an income deduction order. If these ratios were applied to the initial match rate of 5.8 percent, the "success rate" would change from 5.8 percent to 1.1 percent of matched names (i.e. the cases where a deduction order was implemented).[16]

In Ohio, a review of a random sample of matched cases revealed the following outcomes:

- 24 percent—employer was known prior to match;
- 21 percent—income withholding was issued;
- 18 percent—other enforcement actions were taken;
- 16 percent—no action was taken;
- 8 percent—"unnecessary preliminary actions" (undefined) were taken; and
- 12 percent—cases were excluded because they were closed, could not be located, were dismissals or were transferred to other jurisdictions.

Therefore, 39 percent of matches resulted in some type of enforcement action and about a fifth resulted in income withholding.

An internal Connecticut study found that income withholding was not issued in 56 percent of matched cases, for the following reasons:

- in 18 percent of all matches, the employee had already left the job by the time the referral was received;
- in 13 percent, income withholding was already in place;
- in 11 percent, the case did not have an income withholding order and additional work was required to secure the order; and
- in 14 percent, there were other reasons (letter from Support Enforcement Division, February 1998).

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[16] 5.8 percent x 58 percent x 33 percent = 1.1 percent.

In Iowa, an analysis of a sample of child support cases reported the following outcomes after matching:

- 31 percent—no payment was received;
- 20 percent—regular payments were received on cases that had a history of payment gaps;
- 18 percent—the information received helped to locate a payer so that a support order could be issued;
- 16 percent—the payer was making payments already;
- 11 percent—a few payments were received as a result of the match, and then employment was terminated; and
- 4 percent—an error in the SSN caused an invalid report.

Therefore, in 31 percent of the matched cases, employer reporting led to payments.

In late 1994 and early 1995, the Virginia program drew a sample of 295 matched cases, to determine the outcomes of the matches. Of the sample, 25.3 percent resulted in collections from wage withholding, and $32,377 of the amount received could be attributed to the program (meaning that the information was available before information from quarterly wage reports). Extrapolating the findings to the first 29 months of the program, the author of the study estimated that child support collections had increased by $20.2 million.[17]

The report also showed why there was no wage withholding for certain Virginia cases: in 34 percent of the cases, wage withholding was "not appropriate"; in 20 percent, employment had been identified by other means; in 11 percent, the person was no longer at the same job; in 4 percent, the information was incomplete and unusable; and in 32 percent, no reason was provided (Virginia Division of Child Support Enforcement, 1995).

These monitoring exercises illustrate that match rates do not necessarily translate into collections. Here is why an uncritical acceptance of match rates and extrapolation of them to Canada may be unwise.

- We do not know how much the caseloads of our child support agencies differ from those in the United States, particularly in terms of the number and proportions of cases in arrears and other factors, such as parental mobility.
- Many states report match rates, not only for those whose payments are in arrears, but for their entire caseloads, including cases where an order has yet to be established and those where paternity must be established.
- Locating the non-custodial parent's place of employment is only the first step in collecting the amount owing.

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[17] From the data provided, we could not determine how this figure of $20.2 million was calculated.

Very often, the collection figures provided in program documents sound impressive—understandably, perhaps, because they are used as public relations and marketing tools to sell the program to employers and the general public. For example, a series of "success stories" is found in publications of the United States Office of Child Support Enforcement (1997).

- Washington state attributed $7.8 million in total collections to the new hire program from July 1990 to January 1992.
- Missouri estimated that its program increased collections of child support for fiscal year 1996 by $11 million.
- An Oregon government report stated that, in the first 13 months of its program, the child support agency increased child support collections by $3.4 million. Additional payments were received from 4,800 of the 18,300 matched cases.

It is nearly impossible to compare collections across new hire programs or categories of programs because most sources provided total dollars in collections that could be attributed to the program, but did not provide the number of open child support cases or the number of cases in arrears. Ideally, we would need to calculate the average amount collected per case in arrears.

In addition, the collection data were not always consistent. For example, one Arizona annual report estimated collections were $350,000 for fiscal year 1995, but a more recent internal document increased that estimate to $1,636,675.

Something similar happened with the Florida data. The Florida 1995 report cited above estimated that the new hire program had led to orders worth $5.2 million annually, for about one million new hire reports. However, another source estimated that employer reporting produced an obligation amount of $15.2 million, a threefold difference (U.S. Office of Child Support Enforcement, *Child Support Report*, 1996). The differences might be due to the method of selecting which child support collections could be directly attributed to the new hire program, as opposed to other methods of enforcing child support orders.

The Exchange of Data with Other Social Programs

New hire databases were also used for purposes other than child support enforcement, such as fraud and overpayment detection for other social programs.

1. Accessing New Hire Data

Before the PRWORA, many new hire programs shared their databases with workers' compensation, unemployment security, Medicare and Aid to Families with Dependent Children (AFDC) agencies. We looked at five states with information-sharing relationships—Georgia, Massachusetts, Missouri, Texas and West Virginia—to examine the details of their arrangements.

All the state respondents we called said that they wanted access to the new hire database to more quickly find benefit recipients who had jobs. All agencies had been accessing quarterly employer wage reports to detect unreported employment and income. These data, as noted above, could be four to six months old by the time they were cross-matched with open cases, so some overpayments went on for months before being detected.

The Texas Workforce Commission (TWC) also used the data to run the new hire names against current unemployment benefits recipients, as well as against its old overpayment caseload. If the Commission matched a previous client and a large, recent overpayment, it reactivated the case and pursued an income withholding order.

Before the PRWORA, state policy or legislation sometimes prevented agencies from getting access to the new hire database. Many states, such as Alaska, had explicitly said that the employer reporting data could only be used for child support enforcement. In these cases, and in states that did not mention outside access at all, state legislation had to be modified. In Massachusetts and Missouri, legislation supplied the impetus to approach the IV-D agency to work out an arrangement. In the other three states, knowledge of child support initiatives came about through regular communication among departments.

2. The Logistics of Data Transfer

Many agencies had to wait before accessing the data because computer systems had to be altered and software written to enable the exchange. For example, the West Virginia IV-A (public assistance) department waited several years until the system protected the security of the data. This agency shared the same computer system and could have had online access to the database, but this access could have threatened security, since those using the database could change records as well as read them.

In most cases, the department with the new hire database sent the new hire information to the receiving agency by magnetic tape, doing so once a week, once a month or, in one case, every day. Where the new hire reporting program was funded under the same umbrella department as state welfare programs, direct access to the system was usually possible. Online access was preferable because it avoided the costs involved in purchasing and mailing tapes, as well as the occasional problem of lost or wrinkled tapes. Texas tried to work out an arrangement for direct access to new hire data but decided against it because it was too expensive for the other agencies to change their computer systems.

3. The Effectiveness of New Hire Data for Detecting Overpayments

In the five states with which we spoke, two public assistance programs and four employment security agencies had traced the savings they had achieved by using the new hire database. The two welfare agencies identified significant savings. (See Table 4.)

Table 4: Public Assistance Savings Attributable to the New Hire Program (in U.S. Dollars)

State (reference period)	Monthly AFDC savings (number of cases)	Monthly food stamps savings (number of cases)	Monthly Medicaid savings (number of cases)	Total monthly savings	Projected annual savings
Virginia					
(1994 to 1995)	$443,800 (1,882)	$597,859 (4,039)	$175,824 (792)	$1,217,483	$14,609,796
Massachusetts					
(fiscal 1994)	n/a (1,110)	n/a (1,948)	n/a	n/a	$15,900,000
(fiscal 1997)	$1,247,206 (3,194)	$200,565 (1,597)	n/a	$1,447,771	$17,373,252

Note: Massachusetts 1997 AFDC cases include the General Assistance program and Emergency Aid to the Elderly, Disabled and Children.

Most monthly savings in Massachusetts came from AFDC cases. The agency estimated that it saved $1.25 million monthly from closing cases or reducing AFDC funding. The Virginia Department of Social Services saved more from closing food stamp cases than from closing AFDC cases. Program staff could not find any differences that could account for this variation.

The Virginia Department of Social Services used the new hire database to match recipients of public assistance, food stamps and Medicaid. An analysis of savings revealed the following:

- There was a reduction in benefits, saving $87,000, and the department saved a further $357,000 a month by closing public assistance cases;
- There were fewer public assistance cases, saving $87,000, and the department saved $357,000 a month by closing public assistance cases;
- It saved $220,000 a month by reducing benefits to the food stamp program. It closed other food stamp cases, resulting in monthly savings of $377,800; and
- It saved an estimated $175,800 from Medicaid closures.

Precisely how the reductions and case closures came about is not specified.

The results are less impressive for employment security agencies than for welfare agencies. (See Table 5.)

Table 5: Employment Security Savings Attributable to the New Hire Program (in U.S. Dollars)

State (reference period)	Total Employment Security cases	Quarterly savings	Projected annual savings
Massachusetts (fiscal 1994)	900	$500,000	$2,000,000
West Virginia Bureau of Employment Programs (October 1997 to February 1998)	107	$45,207	$180,828
Florida Division of Unemployment Compensation (April 1995 to August 1995)	417	$84,556	$338,224

Massachusetts saved more because it was overpaying more. In Massachusetts, the average overpayment had been approximately $556, whereas in West Virginia it was $423 and in Florida it was $203.

It is important to be cautious when interpreting these savings. Projections of savings to six months or one year may not accurately reflect the movement of cases on and off public assistance. Some clients may return to social assistance in the interim if they lose their jobs. Furthermore, it may have been possible to recoup overpayments through quarterly labour reports. In addition, not all the recorded overpayments have necessarily been recouped. For example, Florida recouped only 33 percent of unemployment compensation overpayments six months after it took action. It would probably have recouped even less from public assistance clients.

To determine the cost effectiveness of using new hire data, one needs both the projected benefits *and* the costs to the department. Only one agency, the Texas Department of Human Services (DHS), established the cost of using the new hire database to match welfare cases. In a 1996 report, Texas DHS stated that it had saved an estimated $792,000 a year. It cost an estimated $210,000 to match new hires within DHS, so the real annual cost saving was $582,000, or a cost-benefit ratio of 1: $3.77.

Texas DHS also estimated a cost-benefit ratio for a mandatory program in Texas. It projected savings of $12.7 million and costs of $3.4 million, for a projected annual benefit of $9.3 million. The projected cost-benefit ratio for the mandatory program in Texas was $1: $3.76. Therefore, the cost-benefit ratio of moving to a mandatory program is virtually identical to the present benefit calculated for the voluntary program.

The author of the Texas report, however, warned readers of the difficulties in making projections of this kind. One cannot accurately project the benefits of mandatory reporting because one doesn't know the differences between those employers who report and those who do not. For example, they may hire DHS clients in different proportions (Texas DHS, 1996:11).

In summary, even before the passage of the PRWORA, other welfare programs were using new hire data to detect overpayments and fraudulent claims. The data were transferred smoothly, although state agencies needed to reformat their computer systems. As with child support enforcement, states reported substantial cost savings, especially for public assistance, with lesser savings for unemployment insurance.

State Costs of New Hire Programs

1. Start-up Costs

It is difficult to determine program start-up costs because, in many states, existing departmental budgets absorbed these costs. For example, Vermont's voluntary program did not get any funds and the Office of Child Support absorbed all fixed costs associated with the program, which included costs to reprogram the telephone system. Only a few states identified discrete start-up costs for their initial employer reporting program. Between 1990 and 1992, the fixed start-up costs of the Washington state program were $43,292 and the initial variable program costs were $351,110. In Iowa, the start-up costs (in 1993 and 1994) were estimated at $440,424. The Florida figure was $91,300 (in 1995). In 1996, start-up costs in Minnesota were said to be $94,000.

2. Annual Operating Costs

There is also little information in the documentation on the annual costs of operating new hire programs, although we asked states for cost-related information.

Annual costs ranged from just over $100,000 in Arizona to $500,000 in Minnesota (see Table 6). There is no apparent relationship between the type of program and annual expenditures. When we divided the annual spending by the approximate number of new hires reported in each jurisdiction, we found a large range in the overall cost per report—from $0.27 per report in Florida to $1.45 in Arizona. This range might be due to differences in salaries, overhead, automation and, possibly, privatization. Based on our experience with costing social programs, we assume that many of the differences are due to such accounting questions as how overheads were included in expenditures and how equipment costs were amortized over time.

Table 6: Annual Operating Costs by Type of Program and Number of New Hires (in U.S. Dollars)

State	Annual budget	Approx. number of new hires reported	Cost per report	All industries or targeted industries?	Mandatory or voluntary?
Alaska fiscal 1994	$233,795	n/a	n/a	Targeted	Mandatory
Washington fiscal 1995	$451,000	324,300	$1.39	Targeted	Mandatory
Texas fiscal 1996	$141,300	138,900	$1.02	Targeted	Voluntary
Arizona fiscal 1994	$104,200	72,000	$1.45	All	Voluntary
Florida 1995	$268,600	992,000	$0.27	Large employers	Mandatory
Iowa fiscal 1994	$270,850	483,300	$0.56	All	Mandatory
Minnesota fiscal 1995	$499,100	1,017,000	$0.49	All	Mandatory

Note: n/a = information not available.

The resources put into data control and entry might have affected operating costs. These costs for the Washington state program ranged from $84,019 in 1992 to $258,880 in 1997—from 54 to 60 cents per new employee reported. Similarly, the New York program estimated that the per-record cost was 52 cents in 1997; the anticipated volume in that state was an astonishing 4.8 million records. In Ohio, the cost was 43 cents per new hire and it was 17 cents in Missouri in 1996. It is possible that states placed varying degrees of emphasis on data control and cleaning, which could account for the difference in per-record costs and help explain the varying costs of the program overall.

3. Cost-benefit Ratios

Cost-benefit ratios should be more accurate measures of overall program performance than total collections, although the discussion above suggests that the expenditures included in the "cost" side of the equation probably differed by state, as did the calculations to determine the collections attributable to the program.

Despite this problem, the ratios are worth presenting for those states that provided them. The state programs that calculated collection dollars received per dollar spent were the targeted industry programs in Alaska and Washington state, the voluntary program in Texas and the Massachusetts mandatory program.

- Alaska collected $2.00 for every dollar spent in 1992, $3.10 in 1993 and $3.20 in 1994.
- In the first 18 months of the Washington program, the ratio of collections to agency costs was estimated at $22 to $1 (Welch, 1992:14).

- Arizona estimated that it collected $11 for each dollar spent (Arizona DES, Division of CSE, 1995: Appendix C).
- The ratios for Texas were $19 for each dollar spent in 1993–1994, $15 for each dollar in 1996 and $20 for each dollar in 1997.
- In Massachusetts, between 1993 and 1994, the ratio was estimated as $4.67 collected for each dollar spent.

We cannot easily explain the difference between Texas and the other voluntary program, in Arizona. Indeed, the very high ratios for Washington and Texas compared to the other states make us suspect that they have not tallied costs and collections the same way. These data do not permit any conclusions about cost effectiveness in relation to the "type" of program (voluntary or targeted).

V. FEDERAL GOVERNMENT INVOLVEMENT: NATIONAL REQUIREMENTS

The 1996 *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA) required each state to develop a new hire program for all employers. The act also established the National Directory of New Hires (also called the National Directory) to receive data from each state's program. The PRWORA requires computerized state-wide procedures and requires child support agencies to maintain a state registry of child support orders and a support payment clearinghouse to receive and disburse payments.

The PRWORA expanded the role of the Federal Parent Locator Service (FPLS) to include the National Directory and the Federal Case Registry of all child support orders in the country. The Federal Case Registry contains an abstract of information on all public assistance cases, as well as voluntary child support cases, from every state. This registry makes it easier to find people who cross state lines and helps governments decide who has continuing jurisdiction. The data in the registry are matched with the data in the National Directory and any matches are sent automatically to the appropriate states for processing and enforcement. The federal Office of Child Support Enforcement (OCSE), in the Department of Health and Human Services, is responsible for the programs.

The National Directory includes federal and state new hires information, federal and state quarterly wage reports, and state information about unemployment insurance claimants. State employment security agencies (SESAs) supply the state wage and unemployment insurance reports; it is estimated that they will submit 140 million wage and 25 million unemployment insurance records to the National Directory each quarter. Approximately 60 million new hire records will be submitted to the National Directory every year.

Other support enforcement components of the PRWORA legislation include provisions to streamline paternity establishment; more uniform interstate collection laws; and uniform procedures for suspending professional, occupational, recreational and drivers' licences when their holders fail to pay child support.

Rationale and Objectives

Approximately 30 percent of child support cases in the United States involve non-custodial parents who do not work in the state where their children live. It is argued that the National Directory will greatly improve cross-state enforcement of child support maintenance. Although no data we have support the claim, the federal Department of Health and Human Services has estimated that the program will increase national child support collections by $6.4 billion in its first 10 months, of which $1.1 billion will accrue to the federal government.

Federal Policy Development and Legislative Process

A federal respondent described new hire programs as an "initiative of the Administration," which sees the PRWORA as a way to focus parental responsibility on supporting children. According to this source, new hire programs in Washington state and elsewhere had convinced both public

servants and politicians that a national program could increase collections from people who move from state to state.

Paul Legler, who helped draft the PRWORA, wrote that "the vision for child support enforcement that guided much of the development of the legislation is that the payment of child support should be automatic and inescapable—'like death or taxes'" (1996:538). Three elements were reflected in the legislation: access to information, which includes the new hire program; mass case processing by means of computers and information technology; and automatic enforcement action rather than action driven by complaints.

The first mention of mandatory employer reporting occurred in the report of a three-year U.S. Commission on Interstate Child Support. The Commission's report to Congress, issued in August 1992, recommended that each state establish a program requiring all employers to report new hires and rehires to the state where the employee provided services. The Commission concluded that this disclosure could help authorities find debtors and quickly establish income withholding. The Commission recommended that employers file the W-4 form with the state employment agency within 10 days of hiring a new employee.[18]

At this point, only the states of Washington and Alaska had evaluated any part of their programs (see Appendix C). So the Commission had very little information on monitoring new hire programs and none at all on mandatory programs involving all state employers. Its recommendation was, therefore, not based on program experience.

In June 1993, President Clinton appointed the Working Group on Welfare Reform, Family Support, and Independence. A sub-committee, the Child Support Issue Group, was made up of federal government staff, although the National Child Support Enforcement Association and the National Council of State Child Support Administrators met with the working group many times.

In addition, advocates from the American Bar Association, the National Women's Law Center, the Children's Defense Fund, the Center for Law and Social Policy, and the Women's Legal Defense Fund all helped develop the child support provisions of the PRWORA. "Child support enforcement was incorporated within the broader welfare reform issue because it was viewed as an important element of a new system of supports for single parent families outside the welfare system" (Legler, 1996:524).

The new hire provisions were in the original welfare reform bill introduced by President Clinton, the *Work and Responsibility Act of 1994*. A new Republican Congress incorporated the child support component into other 1994 bills. President Clinton vetoed the next welfare reform bill, but the third was passed as the PRWORA. Congress kept the new hire program in the PRWORA, perhaps because of its cost savings appeal. There had been some discussion of

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[18] We found only three sources referring to the Interstate Child Support Commission and its recommendations: a payroll publication (ProPub, Inc., 1993); a Texas internal memorandum dated July 1993; and a 1996 paper by Legler. It is plausible that the Clinton Administration picked up this recommendation and incorporated it into the first welfare reform package. On the other hand, it is also possible that the Administration independently decided that new hire programs would be beneficial.

waiving the reporting requirements for some industries and for employers with fewer than a specified number of employees, but these provisions were not incorporated into the final law.

Procedures

States that had employer reporting programs in place before the PRWORA had until October 1, 1998 to comply with federal requirements. States that had no programs had to comply by October 1, 1997.

All employers in the United States must now report their new hires and rehires to one state within 20 days of hiring or, if reporting magnetically or electronically, they must report twice per month, with reports separated by no less than 12 and no more than 16 days. States may establish more stringent reporting requirements.[19] An employer is defined the same way that it is in the federal income tax rules, and includes governmental entities and such labour organizations as hiring halls. If a returning employee has not been formally terminated or removed from payroll records, the employer need not report his or her return as a rehire. Employers with offices in more than one state can choose a single state to which they report all their new hires.

As was the case with state-initiated new hire programs, the federal legislation makes no mention of the self-employed. Presumably, the self-employed are not included in state or national directories.

1. Required Data Elements

Under the PRWORA, the federal government requires states to collect six data elements: the employer's name, address and identification number, and the new employee's name, address and Social Security Number (SSN). The legislation gives states the option of adding additional elements.[20] Three of the additional variables (date of hire, state of hire and employee date of birth) can be reported to the National Directory if the state so wishes. According to the federal OCSE, these optional data fields will improve state fraud detection efforts.

Employer groups lobbied strongly for standard data elements in every state, whereas states preferred more flexibility. Congress discussed having multi-state employers report nationally, under a standard set of data requirements. Employers preferred this option, but states preferred state reporting.

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[19] Alabama, Hawaii, Iowa, Massachusetts, Mississippi, Rhode Island and West Virginia have apparently elected to use shorter time frames. See Becker, 1998.

[20] According to Becker (1998), Washington state asks employers to provide their unemployment account number and business identifier number. Iowa requires medical insurance. Pennsylvania plans to require the employee's date of birth, and the employer's contact name and telephone number.

2. Multi-state Employers

Multi-state employers have two options for reporting new hires:

- they may report new hires to the state in which the employees are working, following that state's regulations; or
- they may select one state where employees work and report all new hires to that state, although they must supply the data electronically or magnetically.

Employers must notify the U.S. Department of Health and Human Services in writing and specify the state designated to receive all new hire information for the business. Multi-state employers "shop around" to find the least onerous reporting requirements. When employers submit all new hire records to one state, the employee's work state will not be able to use the new hire database to detect fraud in unemployment insurance and workers' compensation programs.

The National Directory of New Hires tells states where their multi-state employers have elected to report.

3. Format and Transmission

The reporting format is specified under federal law: the report must be made on either a W-4 form or, at the employer's option, on an equivalent form defined by the employer. States may develop alternative reporting formats, so long as their use by employers is clearly optional. Employers who prefer to transmit their new hires data on diskette or magnetic tape must submit the data twice monthly, not less than 12 or more than 16 days apart.

4. Time Frames

State new hire directories must enter new hire reports within five business days of receipt. Within two business days, the state must look for matches between the SSNs and the child support registry. It must notify the child support agency of any matches, and the agency's staff must mail the wage withholding cover letter and the wage lien to the employer within 48 hours of receiving the information from the new hire database. Within three business days after the new hire data are entered into the state directory, the data must be furnished to the National Directory.

5. Data Matching

With the Federal Case Registry in place since October 1998, new data in the National Directory are now matched to child support cases and to order information in the Registry. States are no longer required to submit individual locate requests. Instead, states automatically get current employment information on child support debtors every time the non-custodial parent takes a new job. States also get information on debtors' quarterly wages and unemployment insurance claims.

Enforcing Employer Compliance

If employers don't comply, the federal law specifies that states may levy fines of up to $25 for each employee not reported, with the fine increasing as high as $500 if there is a conspiracy between the employer and the employee. Typically, state laws have established penalties of $24 and $499, respectively. Federal legislation does not preclude civil penalties under state law for non-compliance. States have found that the fines are not worth the cost of enforcement and expect that employers will comply for other reasons.

Employer Response

One payroll publication cites a common employer complaint: "Many state legislators don't seem to understand that the more information they require from employers, the longer it takes to get a report out. They also don't understand that employers in their state don't just have one state to comply with. They have to comply with multiple states" (Paytech, 1997).

Privacy and Security Issues

Two data privacy and security concerns are noted in the literature. First, some employers and state employment security agencies have been concerned about the increased exchange of data among public agencies and the private contractors some states use to run part or all of their new hire programs. Second, feminist advocates want limits on the disclosure of information to guard against domestic violence.

There are no time requirements in the PRWORA for keeping new hire data, either in the state or the national directories. The same applies to data in the National Directory, at least according to a 1997 OCSE publication.

Location of the National Directory

The National Directory is housed in the National Computer Center of the Social Security Administration (SSA). This collaboration between OCSE and the SSA helped get the database off the ground more quickly. The National Directory uses the SSA's secure telecommunications network established to send information between the mainframe and other state government sites. The two agencies were able to share resources and technical expertise, including the data centre, network and systems designers. An OCSE official says that "as a result, we have been able to assemble the National Directory in less time and at a lower cost than if we had reproduced the existing Social Security Administration's infrastructure."

Exchange of Data with Other Social Welfare Programs

Until legislation is passed, state employment security agencies (SESAs) cannot check the National Directory for information on unemployment insurance fraud and abuse. One respondent suggested that this might have been an inadvertent omission from the 1996 federal legislation.

The new hire reports submitted to the state directories, however, must be made available to state agencies that run the income and eligibility system programs of the *Social Security Act*, and to state agencies operating employment security and workers' compensation programs. Whether the state may share new hire reports with other state agencies depends on the location of the state directory, and whether the operation of the directory is part of the state's automated data processing system required by the PRWORA. If the state directory is within the child support agency, then information sharing is possible, with certain safeguards. If not, the state may legislate to extend new hire data access to other agencies.

As of late 1997, 34 new hire programs were located in child support enforcement agencies, 19 in state employment security offices and one in a state treasury.

State and Federal Government Funding and Costs

Although the federal government will not fund the operation of new hire directories, it will, under specific circumstances, give states money to develop them. States may be reimbursed for 80 percent of the following costs: changing their automated child support enforcement system; developing the system, if the directory is within the child support agency and part of the automated enforcement system; and developing the interface between the automated enforcement system, if the directory is outside the state's automated support enforcement system.

If the state puts its directory in a SESA or other entity outside the child support enforcement automated system, the child support agency may be reimbursed for 66 percent of the cost of developing and maintaining the directory. Child support agencies must negotiate agreements to reimburse the state directory for the costs of the state directory related to child support.

The federal government will reimburse states for "reasonable" costs of sending the new hire data and the quarterly wage and unemployment insurance claims to the National Directory. Reimbursement excludes the costs of obtaining, verifying, maintaining and comparing the information.

VI. EMPLOYER REPORTING IN COMMONWEALTH COUNTRIES

United Kingdom

The enforcement activities of the United Kingdom Child Support Agency do not include accessing new hire information. The Department of Social Security (DSS) is one source of data on non-custodial parents and the child support agency has access to DSS files on unemployed persons, which can help locate payers. The agency also has access to one piece of information from Inland Revenue—the person's last known address—but has no access to details about earnings or other personal information.

Recent legislation enables DSS and Inland Revenue to share information, so DSS can use Revenue data to detect unemployment insurance, workers' compensation and welfare fraud. However, Parliament was concerned about privacy issues and, therefore, did not give the child support agency the same powers to obtain these data.

We spoke to one person who said that, as far as he was aware, the government had not considered establishing an employer reporting program. The two major disadvantages of such a program from his perspective would be the burden on employers and the privacy concerns, although the program would offer cost savings to the agency by placing the onus on employers. Such a program would enable the agency to spend less money on locating current payers, especially since current estimates suggest that the present caseload of 750,000 will double by 2004.

New Zealand

The child support agency, part of the Department of Inland Revenue, has access to data from the employer reporting program that began in the early 1990s. Each employer completes a monthly statement, which provides details on new and departing employees. The form, which employers complete whether or not there is any change in staff, was originally collected for tax purposes. However, its value in detecting public assistance fraud was subsequently realized. Child support has had access to these data for approximately the past five months. The information is provided to the child support agency every month and compared to the child support caseload.

There are approximately 150,000 to 160,000 employers in New Zealand, and many of them are small businesses with fewer than 10 employees. Employers can submit their monthly staffing reports either on paper or electronically. Large and medium-sized businesses are increasingly sending their data through an electronic process that meets the requirements of the government's computer system.

While developing the monthly staff report, the government consulted employers as much as possible to determine ways to minimize employers' compliance costs.

New Zealanders seem to feel that child support enforcement poses less of a privacy risk than does sharing information with social welfare, which is in another government department. The *Privacy Act, 1993* and the *Tax Administration Act, 1994* specify the type of information that Inland Revenue can exchange with other agencies. Such information exchanges are meant to detect fraud and, among other objectives, to help income support employees clear outstanding liable parent debt.

If someone applies for an income support benefit or workers' compensation, these agencies can request information from Inland Revenue on family support status and the employment start and finish date, as well as the name and address of the person's employer. All information is exchanged by magnetic tape, and the computer systems are not linked in any way.

Australia

In Australia, the collection component of the child support agency is located in the Australian Tax Office. As in New Zealand, that government department has required all employers to notify the tax office of new employees, through a program called the Employment Declaration System. New employees must fill out a form when they start work, to which the employer adds such details as its registered business name, address and payee account number, used for taxation purposes. The child support agency has access to the computer records generated by these forms and may use them to identify the employer of a non-custodial parent.

The child support agency can find out whether a non-custodial parent is unemployed by sharing information with the Department of Social Security. When the child support agency finds the employer of a payer, it writes to the employer, asking it to confirm employee details. Once these details are confirmed, the child support agency uses employer wage withholding, which allows child support payments to be deducted directly from the non-custodial parent's salary.

These payments are remitted to the Tax Office in the same way that income tax instalments are processed. Until recently, the child support legislation stated that if the payer was an employee, child support payments should be collected this way wherever practical. Recent changes to the law mean that payers can elect to make payments directly to the child support agency, rather than have their employer deduct them from their wages. The agency accepts an election if it is satisfied that the payer is likely to make timely payments.

If a payer is in arrears, the deduction can be increased to include an arrears component, the amount of which is negotiated with the child support agency.

Australian law requires employers to protect the privacy of payers when making deductions, and it is illegal for employers to discriminate against an employee because of child support obligations.

VII. SUMMARY AND CONCLUSIONS

New hire or employer reporting programs began in the late 1980s in the United States to speed up the process of finding people on the caseloads of child support agencies. In 1996, federal legislation, the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA), established the National Directory of New Hires and required all states to set up their own state directories, which report regularly to the National Directory. The act also established the Federal Case Registry for all child support orders.

It has been said that the program has "dramatically" increased child support collections and saved the states millions of dollars. Because of the interest these claims have generated in Canada, the Child Support Team at the Department of Justice Canada studied the rationale and development of this program, and the issues raised by the concept of employer reporting.

We reviewed state and federal government documentation; we reviewed internal reports provided by state officials; and we telephoned key people in states with different types of programs. Few evaluations appear to have been done. Despite the amount of material we found, it was hard to compare situations across states, in terms of success and program costs, because of the variable nature and depth of detail in the documentation.

In addition, we contacted officials in the United Kingdom, Australia and New Zealand for information on the use of employer reporting in those countries.

Child Support Enforcement in the United States

By federal law, child support programs establish paternity, establish the child support order and enforce the awards. Although the states run the child support system, the federal government has considerable authority through legislation and financial incentives.

Child support caseloads are composed of voluntary and mandatory clients. Mandatory clients are those getting public assistance or such benefits as food stamps and Medicaid. The state programs are, for the most part, funded by the collections made on behalf of mandatory clients; those collections are remitted to the state and federal governments. Voluntary clients receive all the collections made on their behalf. Many predict a decrease in welfare cases in the caseloads of child support programs, because the PRWORA restricts eligibility for public assistance benefits. This may effectively reduce government revenues.

New hire programs are one component of an integrated approach to child support enforcement found in the PRWORA. This legislation uses a three-fold approach:

- increase states' ability to locate persons and their assets (which would include the new hire program);
- process cases *en masse* using information technology; and
- aggressively enforce orders using such administrative processing as automatic income withholding.

The third element includes eliminating the complaint-driven approach to enforcement and replacing it with expedited procedures for routine cases. Child support agencies, in this legislation, have sufficient authority to process most cases without court intervention. Through administrative mechanisms they can take many actions, including ordering income withholding, seizing lump sum payments, seizing assets in financial institutions and increasing the amount of the monthly payment to cover overdue amounts.

The Development of New Hire Programs

Before these programs came along, states had access to quarterly wage reports. However, this meant using information that was as much as six months old. By the time child support cases were matched with the wage reports, many non-custodial parents had already left their jobs.

New hire programs require all or selected employers to remit the names of all newly hired or rehired employees to a central state agency, often the child support agency itself. With computerized case data, it became feasible to match cases to reports of new hires, using the employee's Social Security Number (SSN) and name. Regular case matches led to quicker wage withholding orders.

The first U.S. program, in Washington state, was mandatory for targeted industries, such as construction, that were believed to have mostly male labour, high staff turnover and frequent layoffs. While other states took the same targeted approach, almost half of the programs launched before 1995 were mandatory for all employers. A few states developed voluntary programs, in part because state officials wanted to test systems in preparation for the anticipated federal program.

Employers supplied different information from state to state. Some states "kept it simple" and asked employers to remit basic information contained in a tax form that companies already completed each time they hired a new employee. This form, called the W-4, contains the employee's name, address and SSN as well as the employer's name, address and federal identity number.

Other states developed their own forms, and added data elements such as the employee's date of birth, the date of the new hire and medical coverage information. This practice has been very unpopular with multi-state employers, who would far prefer standardized reporting formats. In addition, some extra information—especially medical coverage information—is maintained separately from the payroll department, which makes reporting much more cumbersome for employers.

Some states do not require employers to report if there is no hiring or rehiring during the time period, but this means the absence of a report could mean either an omission to report or a lack of hiring activity.

Almost all states gave employers a number of options for sending the new hire data: fax, telephone, mail, diskette, magnetic tape and (more recently) the Internet. This flexibility probably made it easier to get employer cooperation.

About half of the states required the new hire information within one month of the hiring, although the time varied from 5 to 35 days. Employers generally preferred the longer period, and the state that requested the data in 5 days encountered employer opposition.

The keys to program success, according to the literature and the people we interviewed, are employer involvement in developing the program and ongoing employer outreach. Some states paid far less attention to public relations and educational activities than did others, doing little more than mailing information about the law to employers. Sources claimed that the new hire programs in these states were less successful, but this assumption cannot be confirmed.

The costs to employers of new hire programs were available from only one state. The median annual cost went from $60 for firms with 50 or fewer employees, to $240 for employers with 250 or more employees (in 1993 U.S. dollars). Start-up costs averaged less than $100. The response rate for this survey is not known. One payroll processing company charged employers about $2 per report of a new hire or rehire.

Several states reported that small businesses complained the most about the program. Employer compliance has not been well monitored, although one would expect that new hire databases could be easily matched with quarterly wage reports. According to our interviews, the first state programs did not fine employers who did not comply with the program, both for public relations reasons and because the amount of the fine was not worth the effort of enforcement. Some states had no legislated penalties.

In summary, the first new hire programs were implemented to improve child support collections by increasing the timeliness of employment data about non-custodial parents. Although quarterly wage reports were used to track child support payers, some payers moved too quickly from job to job to be captured by support enforcement mechanisms. By having all or targeted employers report new hires within one month or less of hiring, agencies could put more wage withholding orders in place. The program appeared to encounter fewer obstacles under the following conditions:

- when employers helped develop the program and when employer liaison was a priority;
- when the program involved few data elements, all of which came from one source, and when multi-state employers could use a standard set of data elements;
- when employers had many ways to send in the information;
- when employers were required to report, even when they hadn't hired or rehired anybody during the reporting period; and
- when employers could report monthly.

Measuring Program Success

It is virtually impossible to determine whether different types of programs had different success rates. In the program material, success was measured by the following:

- the number of matches on child support cases as a percentage of the number of employees reported under the program; and
- the increase in child support collections attributable to the program.

Match rates were frequently reported in new hire documentation. They could sound impressive because they were often calculated on the total caseload of child support agencies, not just on obligated persons who were in arrears or who could not be found. The one state that did do matches on "delinquent obligors" reported a match rate of 0.5 percent. This can be compared to match rates for enforcement cases (not defined) from 2.5 to 5.9 percent, and overall match rates that ranged up to 11 percent.

The matching of the name is only the first step in obtaining support payments. Studies on this topic showed that child support agencies received additional payments in relation to only a minority of matches. There are many reasons for this, including the fact that employees had already moved on and that agencies knew about employers before the match.

We are concerned that the literature inflated the increase in collections attributable to new hire programs. Different sources sometimes provided widely differing estimates of increased collections. It is hard to directly attribute an increase in collections to new hire data, as opposed to quarterly wage reports, for example. This difficulty arises because the sources did not provide details on the calculations.

Five of the first states to implement new hire programs also provided cost-benefit ratios, which ranged from $1: $3.20 in Alaska in 1994, to $1: $22 in Washington in 1992. The large differences lead us to suspect that costs, collections or both were not tallied the same way. The available data did not permit any definitive conclusions on the cost effectiveness of employer reporting.

As might be expected, given the differences in cost-benefit ratios, the annual operating costs of new hire programs varied widely—from $104,000 for Arizona's voluntary program to just over $500,000 for Minnesota's mandatory program. The cost per new hire ranged from $0.27 to $1.45 in the six states that provided budget and new hire data.

We should be wary of uncritical extrapolation of match rates, collection figures and cost-benefit ratios to Canada.

- The child support caseloads of the two countries may differ in substantial ways, such as occupational mobility of payers. Certainly, the mandate of state child support programs is much broader than it is in Canada, since the American programs also establish paternity and orders.

- The quick transfer of successful matches leading to automatic wage withholding is a key aspect of the success of the new hire program.
- Locating the debtor's place of employment is only the first step in collecting the amount owing.

Sharing of New Hire Information

In this research, we paid special attention to the sharing of new hire information with other social programs, such as public assistance, workers' compensation and unemployment insurance. Information sharing helps reduce benefit fraud. As with child support, most of these other social programs had access to quarterly wage data to detect overpayments, but delays in getting timely data made it harder to avoid and recoup overpayments. Sharing is mandated by the PRWORA, but even before the federal legislation came into effect, some states routinely shared such information. The following factors contributed to information sharing.

- Information was more readily shared with other social programs if they were in the same departments and shared the same computer systems.
- In some states, legislation had restricted the new hire database so it could only be used for child support. Elsewhere, state legislation was the impetus for the exchange of data.

Confidentiality and Privacy Issues

The new hire documents rarely raised this topic. However, a few states suggested destroying records to maintain confidentiality and privacy. The 1996 federal legislation does not indicate how long the information is to be kept.

Many of the data exchange provisions in the PRWORA are subject to Internal Revenue Service confidentiality laws, which limit the use of federal data to specified purposes. This "purpose" limitation is supposed to follow the information as it travels through the system so that state information systems have to be able to "tag" information according to its source and authorized purposes.

United States Federal Government Involvement

The federal government became more interested and more involved in new hire programs in 1993 and 1994, as 30 percent of child support cases in the United States involve non-custodial parents who do not work in the same state in which their children live. Mandatory reporting for all employers in all states was part of the Administration's welfare reform package. The National Directory started operations in October 1997, and all states were to begin reporting data in October 1998. There are as yet no data on the degree of success of the National Directory.

Employer Reporting in Other Commonwealth Countries

The location of the child support agency in the government bureaucracy seems to be a factor in employer reporting. In the United Kingdom, where support enforcement is part of the social services department, there is no program of this type, nor is the UK planning to establish one. In Australia and New Zealand, child support agencies are part of the tax department. Employer reporting of newly hired employees is done for tax-related purposes. The child support agency has ready access to the data so that it can identify the employment status and employer of child support payers.

APPENDIX A: Glossary of Terms

ADC	Aid to Dependent Children
AFDC	Aid to Families with Dependent Children programs and legislation; social assistance policy replaced by Temporary Assistance to Needy Families under the *Personal Responsibility and Work Opportunity Reconciliation Act* of 1996
CSA	child support agency
CSE	child support enforcement
DHHS	U.S. Department of Health and Human Services
EIN or FEIN	Employer Identification Number, Federal Employer Identification Number
FPLS	Federal Parent Locator Service, the umbrella federal agency where the National Directory of New Hires is placed; the agency also includes the Federal Case Registry of Child Support Orders and is operated by the Office of Child Support Enforcement
FSA	*Family Support Act*, 1988
IV-A	welfare and social assistance agencies and cases
IV-D	state child support enforcement agencies and cases related to Title IV-D of the federal *Social Security Act*—"IV-D agencies" were established in 1975 to collect child support payments for children in single-parent families; the term "IV-D cases" can mean all cases in the caseloads of child support enforcement agencies, but usually means welfare cases in the caseloads
IV-E	foster care assistance, benefits or services
NDNH	National Directory of New Hires
OCSE	Office of Child Support Enforcement, located in U.S. Department of Health and Human Services, Administration for Children and Families
PRWORA	*Personal Responsibility and Work Opportunity Reconciliation Act*, 1996, the U.S. federal legislation that in section 313 requires each state to establish an automated state directory of new hires
SDNH	state directory of new hires

SESA	state employment security agency
SIC	Standard Industrial Codes (such as occupational codes of industries or businesses that report to state agencies), which come from the census and are used to classify types of businesses
SSA	Social Security Administration
SSN	Social Security Number
TANF	*Temporary Assistance to Needy Families*, which replaced Aid to Families with Dependent Children
UIFSA	*Uniform Interstate Family Support Act*
USC	*United States Code*
W-4	federal Internal Revenue form completed for every employed person at time of hire

APPENDIX B: Persons Contacted

UNITED STATES

Alaska

John Main: Department of Revenue, Child Support Enforcement
Vicki Mitchell: Department of Revenue, New Hire Pilot Project (former employee)

Arizona

Tanya Simkins: Department of Economic Security, Division of Child Support Enforcement

California

Bruce Kaspari: Department of Social Services, Office of Child Support

Colorado

Craig Goellner: Department of Human Services, Child Support Enforcement

Connecticut

David Mulligan: Public Assistance Consultant, Department of Social Services
David Pankey: Connecticut Attorney General, Bureau of Child Support Enforcement

Florida

Colleen Birch: Department of Revenue, Communications and Government Information Unit, Child Support Enforcement Program

Georgia

Janice Alford: Department of Human Services, Office of Child Support
Lynn Sims: Temporary Assistance to Needy Families
Shirley Allen: Chief of Claims Administration, Department of Labor

Iowa

Doris Taylor: Department of Human Services, Child Support Recovery Unit

Kentucky

Linda Hammond: Department for Social Insurance, Division of Child Support Enforcement

Maryland

Scott Barkan: Department of Human Resources, Child Support Enforcement Administration

Massachusetts

Karen Melkonian: Department of Revenue, Child Support Enforcement Division
Catherine Butler: Department of Revenue, Child Support Enforcement Division
Brad Kramer: Department of Revenue, Child Support Enforcement Division
Bob Nevin: (former) Associate Deputy Commissioner, New Hire Reporting
Bill McClory: Department of Employment and Training
Don Johnson: Department of Transitional Assistance
Rosemary McClullan: Department of Transitional Assistance

Minnesota

Kay Dunkelberger: Department of Human Services, Child Support Enforcement Division

Missouri

Michael Adrian: Department of Social Services, Division of Child Support Enforcement, New Hire Reporting Program
Bernice Holtmeyer: Division of Family Services
G. Gaw: Department of Labor
D. Taylor: Benefit Payment Control, Department of Labor

New York

James Wimet: Director, Department of Social Services

Ohio

Rose Riley: Department of Human Services, Bureau of Direct Services

Oregon

Michael Avery: Department of Justice, Support Enforcement Division, Central Operations Section

South Carolina

Glen Hastie: Department of Social Services, Child Support Enforcement Division, New Hire Reporting Program

Tennessee

Caroline Reed: Department of Employment Security, New Hire Card Program
Connie Putman: Department of Human Services, New Hire Reporting Program

Texas

Patricia Mathews: Office of the Attorney General, Division of Child Support Enforcement
Ken Helm: Texas Workforce Commission

Vermont

Cindy Griffith: Agency of Human Services, Office of Child Support

Virginia

Martha Savage: Department of Social Services, Division of Child Support Enforcement

Washington

Charlyn DeVoss-Shipley: Department of Social and Health Services
David Stillman: Department of Social and Health Services
Mary Pat Fredericks: Labor and Industry
Janet Bloom: Employment Security
Virgina Sledjeski-Rae: Economic Services Administration

West Virginia

Jim Dingeldine: Department of Health and Human Resources, Bureau for Child Support Enforcement
Butch Buster: Temporary Assistance to Needy Families
James Osborn: Bureau of Employment Programs

Federal Department of Health and Human Services

Wendy Gray
Paul Legler

American Organizations

Sharon Jarrell: Enterprise Server (Atlanta, Georgia)
Pete Iceburg: Automatic Data Processing (Roseland, New Jersey)
Lou Marina: Automatic Data Processing (Roseland, New Jersey)
Rita Zeidner: Manager of Government Relations, American Payroll Association
Amy Bryant: Government Affairs Task Force, Subcommittee for Child Support
Jim Owen: Government Affairs Task Force, Subcommittee for Child Support
Vicky Turetski: Center for Law and Social Policy
Kelly Thompson: American Public Welfare Association

CANADA

Gilles Champagne: PeopleSoft Incorporated (Ottawa)

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Martin Scott: Manager, Child Support, Inland Revenue, New Zealand
Ian Webber: Child Support, Inland Revenue, New Zealand
Sheila Bird: Child Support, Inland Revenue, Australia

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